BUDGET

1956-57

Hon'ble Finance Minister's Speech

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RANGOON

HON'BLE FINANCE MINISTER'S SPEECH

MR. SPEAKER,

It is by Constitutional prescription that every four years we have a freshly elected Parliament and a new Government, but there is no such period division in the events and occurrences that take place in the march of the history of the Union, as they have certain cause and effect relations that continue one into another.

Constitutionally, we have a new Parliament and a new Government designated, but among the present members who have dedicated their services in the cause of the Union, there are many old members of the last Parliament. Likewise, we have in the new Government many members of the last Cabinet as also former Parliamentary Secretaries. Ever since the day of Independence, the Anti-Fascist Peoples Freedom League has been entrusted with the management of the affairs of the country and it therefore follows naturally that the new Government will continue in the execution and implementation of policies and decisions that have roots and foundations in the past, until the goals set are reached. In practice, however, we will pause, tarry or hurry in the march towards these goals where prevailing circumstances indicate that it is expedient so to do.

THE STATE OF THE COUNTRY

In July last, Government issued a statement to the country wherein it made an assessment of the events and accomplishments of the past, defined its policies for the present and prognosticated trends into the future under the five broad divisions of Law and Order, National Economy, Social Services, Foreign Relations and Moral Regeneration. All the various subjects that come under those heads were discussed and explained in detail in that survey, but with your permission, Mr. Speaker, I wish to recapitulate briefly matters under Law and Order, National Economy and Social Services that have direct relevance to the Budget I am to submit to-day.

LAW AND ORDER

As is universally known, the present insurrection has its origin in the abandonment of democratic methods, the resort to arms and the use of force by certain opposition parties which perhaps

appealed to them as a short and facile way of wresting power from the lawful Government. They chose their time carefully and assailed the lawful Government from all sides when they thought they could catch it unawares.

This coincided with the preoccupation of the Government in vital matters of State such as rehabilitation in consequence of the ravages of war, economic development, foreign relations and national defence, just after the gaining of Independence, when the Government was unmindful of the enemy from within its own ranks. This revolt from within did catch it by surprise and at one time, it was really touch and go for the Government but as happens in all struggles where the side that has right and justice on its side ultimately triumphs, insurgency has been broken up into small fragments with insurgency degenerating into dacoity and dacoity into thievery until we have dacoits and thieves left on our hands.

In the various measures taken for the suppression of the insurrection, the Government has always acted justly and with benignity, showing mercy where it is due and taking stern measures where only such courses remain open. This policy has certainly paid dividends but much remains to be accomplished. Dacoities, robberies, other acts of violence that follow in the wake of the insurrection are still formidable and these will have to be dealt with piecemeal during the coming year. The smashing up of large concentrations of insurgents, in comparison with this piecemeal liquidation of remnants, has been facile, and in practice, the latter cannot be accomplished without a good deal of time and energy devoted to it.

The brutality and inhumanity of insurgents has become worse with the passage of time. There have been many from among them who have repented and availed themselves of the offers of amnesty made by Government, and who are now good and worthy citizens of the Union, doing their share of the work in the many national tasks the country has to offer. But the type and brand of them for whom there is no salvation in any form, continue in their depredations in the vilest manner, inflicting conditions of living damnation on the populace who are their victims. For them there is no turning back and no repentance and the only way out is to become hoist with their own petard of violence.

In these conditions, our schemes for economic development and social welfare have marked time and at best made slow progress. Production on all sides have suffered grievously and the real income

of the peopie and their standards of living have not shown the improvement that could have been made otherwise.

The extent of the loss directly attributable to insurgency suffered by the country can be fairly gauged from the following statistics—22,077 civilian and 5,693 service personnel lives lost and destruction of public property to the value of over K 25 crores and private property worth more than K 448 crores. Besides the tremendous loss in man-hours, the set-back suffered in industry and commerce have been phenomenal in as much as the effects of insurgency have permeated all forms of activity. In consequence, the gross domestic product, sixteen years after the outbreak of the second world war, has been barely able to struggle up to 89 per cent of pre-war's highest. The destruction that has been wrought in the country has cost us dear not once but three times over in that the loss of a fixed asset brings to nought the labour and money that had been devoted to it and its restoration involves application of fresh labour and new money that could otherwise be made available for the creation of a new asset.

There is a kind of loss and injury that is not readily visible or easily palpable, but is nevertheless long-lingering. It is deterioration in moral standards and lowering of public morale. Measures will be taken however to arrest this downward course and for the regeneration of morals.

For these reasons, Government will have to put restoration of law and order in the very forefront of all things to be done, as otherwise nothing really substantial can be achieved under the blight of insurgency. A firm decision has been taken therefore to do all in our power to put an end to the insurrection and to that end the armed forces, the Union military police, the police and Pyusawhti forces will be strengthened and operations intensified during the coming year.

THE NATIONAL ECONOMY

The Pyidawtha Conference of 1952, on the basis of trends and circumstances then prevailing, set the twin goals of doubling the national income up to K 700 crores and a total capital investment of K 750 crores, on public and private accounts, to be realized by 1960. Not long after these decisions were taken, there was a signal change in the world situation affecting all primary producers and resulting in rapid drop in price of Burma's principal export

commodity—rice, followed by sluggish sale conditions of all export commodities. The increase in the depredations of insurgents affected output adversely at a time of dropping prices, and created other conditions inimical to the national economy. This was particularly applicable to the output of timber and minerals which could otherwise have been exported in larger quantities to offset the drop in receipts from rice sales. That was the time when several of the major industrial and social projects were well under way and as there was no question of suspending activities or going back on decisions already taken, work had to be carried on towards their completion. If at that time, through alarm and despondency, the struggle were to be given up, the large amounts of public funds invested would certainly have gone to waste and the country's development would be put back many years.

During the period in question, the problems of financing were squarely faced, and work on projects already started continued as planned, by drawing down internal and external reserves and by loans from the public and the banking system. Over and above large investments of capital, the pre-war and post-war debts to India in the sum of K 40 crores and the United Kingdom in the sum of K 35.6 crores were settled and compensation due in respect of nationalisation of R.E.T. & S. Co., Dyer Meakin Distillery at Mandalay and Theingyi Bazaar were paid. In mineral industry and production and refining of mineral oils where our nationals are still deficient in technical knowledge, we have gone into partnership with existing foreign interests and the wisdom of such action is evidenced by increased production tending towards sufficiency for internal consumption and realisation of fair dividends on investments made.

The concentrated efforts made for economic development during the period engendered certain strains and stresses in the economy and for the future we will have to restrict our activities to available resources. It is important therefore, at a time like the present, to be thrifty and frugal in our ways in order that the fruits of such sacrifices may be enjoyed for a long time to come. Heavy capital investments made resulted in the expansion in the money supply and cuts and restrictions had to be imposed on imports in order to conserve foreign exchange to maintain the stability of our currency and exchange reserve ratio at a safe level. Prices of commodities increased in consequence and also for the reason that prices in general have risen the world over at the sources of production; but Government is confident that with the improvements in import policy it will introduce, and strict control over distribution and prices, this problem would be resolved and cost of living kept down.

Government has decided to review its development programme carefully and to carry out projects to the extent of available resources. Projects that have already been started and that will directly contribute to increase in production for export and for internal sufficiency, will be completed as scheduled. Among such projects, those in the fields of agriculture, forests and mining will be given priority but new projects will be deferred execution by 2 or 3 years as the changing situation may require. A four-year development programme embracing all these measures, now under preparation will soon be released for public information.

FORECAST OF TRENDS

The present year records yet further increases in the production of commodities despite the multifarious counteracting factors of insurgency. Progress and improvement are in evidence in all sectors of the economy, both public and private, where full work and resource capacities have been employed. For the coming year, with present endeavours being kept up and the way ahead cleared progressively of all obstruction by Government's intensified campaign against insurgency, positive results and yet further gains are bound to be achieved. The gains achieved and prospects for further gains, have all been categorised and analysed with full explanation and statistical data in the Economic Survey prepared for 1956 which I will submit to the House presently, and I would urge the members of this Chamber, in their study of and comments on the economic situation, to read the Survey carefully against the statement of general trends I have indicated.

SOCIAL SERVICES

Government has all through these years put social services expansion and improvement on the same plane as restoration of law and order and economic development as is evidenced by the ever increasing amounts allocated for expenditure under this head. The first year of independence 1947-48 recorded a total expenditure of only K 3·4 crores but this has rocketed to K 18·3 crores during the current year with the expenditure for the coming year estimated at K 23 crores.

As insurgency is put down and national income improves into the future the surplus of taxes and other resources will be applied, on an increasing scale, mainly to economic development and social services. Though increased allocations have been made from year to year, the expansion and improvement made in social services is yet very far from the ideals envisioned by Government. The day is not too distant when Government hopes to be able to devote the resources now being wasted in combating the evil of the insurrection, exclusively to schemes for promotion of social welfare.

EDUCATION

Education is by far the most important of social welfare subjects, and everything possible is being done amidst existing difficulties for its advancement. School-building construction and provision of teachers for the new schools are being pushed relentlessly to the limits of capacity, and not only is education now provided free in all schools and the University but liberal provision is made of text books, writing materials and other educational paraphernalia besides grants of stipends and other monetary aids on a lavish scale. The aim of Government is not merely to give education in the narrow sense to the growing generation, but to mould the children and the youths, from the Primary grade to the University, into persons of good character and social assets, and to such of them as show the necessary aptitude, vocational training is provided in medical schools and technological institutes to fit them out for the social order that is undergoing rapid transformation. Mass education activities will also be improved.

HEALTH

The inhabitants of Burma are still sorely deficient in health and much remains to be done to bring about improvement. We have so far been able to lay the foundations on which future progress is to be based. But Government had at no time despaired and has taken all the assistance that the World Health Organisation and UNICEF could afford to fill the gaps in its efforts. Such scourges as malaria, tuberculosis, venereal disease and leprosy that blighted the lives of many of our promising citizens are being resolutely tackled with the assistance received from that Body. Construction of new hospitals, setting up of rural health centres, and the training

of doctors and nurses are proceeding apace as fast as practicable and as far as funds permit for prevention and treatment of ordinary diseases and ailments. Research work into nutritional deficiency, the cure thereof by manufacture and distribution of vitamin tablets in a modern pharmaceutical plant set up by Government is a step taken in the right direction of which everybody is now aware.

Other social welfare activities such as religious revival promotion, provision of residential accommodation and town and country development, environmental sanitation and installation of water supply systems will be prosecuted as far as possible, and I would like to stress that the fundamental approach to these problems is that of utility and welfare in the widest sense and not for sectarian benefit only.

Estimates of Receipts and Expenditure

Revenue Estimates

It is desirable, before we embark on the discussion of the estimates made for the next year, to dwell briefly on the estimates made originally for the current year and the revisions thereof on the basis of actual happenings over more than half a year period.

Total revenue receipts have to be revised K 86 lakhs downwards. The decreases expected from Customs, Forest royalties, Interest receipts and miscellaneous taxes have not been entirely offset by an increase of K 1 crore 42 lakhs in income taxes giving a shortfall indicated above. The decreases of K 67 lakhs under Customs and about K 1 crore under commercial taxes are due to the same kind of causes—*viz.*, non-realisation of licences issued in time and delays and difficulties attending procurement of goods from open account countries. These also have been contributory causes of the rise in prices of commodities earlier. Forest royalties did not come up to expectations and interest receipts declined because of the inability of certain Government Agencies to pay up the interest dues fully. Income-tax receipts will improve consequent upon more careful assessment and strict enforcement on private assessees and Government Agencies alike.

For the coming year, the resolving of difficulties and obstacles attending imports, enhancement of certain tax rates and imposition of new taxes are expected to bring about an improvement in receipts by as much as K 16 crores. K 3 crores of this increase will be

accounted for under Customs by the planned import programme for next year in excess of the best open general licence year coupled with rate increases under certain categories. For the same reason, commercial taxes receipts are expected to show improvement by K 1 crore. Income-tax receipts are expected to come up by over K 2½ crores on account of strict enforcement and improved profits of Government commercial enterprises. Modification of excise duties without adversely affecting revenue income but designed to stimulate industrial activity is expected to result in increased production and give about K 79 lakhs more. The Union Bank will be also crediting to Government all its profits for the year 1956 as it has now built up a reserve of K 4 crores and this accounts for an increase of K 1½ crores expected under Currency. The enhancement of import licence fees is expected to swell miscellaneous receipts by K 1 crore 87 lakhs. A contribution of K 5 crores is also anticipated from the State Managed Boards out of their profits.

TAX CHANGES AND INCREASES

The three major tasks, *viz.*, restoration of law and order, economic development and the promotion of social services for which Government has assumed full responsibility, require for their successful prosecution, whole-hearted support in the form of labour, money contributions and helpful suggestions from the people. This much-needed financial support is expected to be contributed in the form of taxes and loans to Government according to capacity and I would strongly urge all of our countrymen to co-operate with Government in striving for the betterment of their own living conditions, for improvement of their health and wealth by this one and only infallible method that I have described. Taxes of the pitch and variety we have are not necessary under normal conditions, but it requires of all of us to make sacrifices and exert a little more in the spheres of activity in which we are placed, in order to overcome the difficulties with which we are faced.

Income-tax.—Government has under consideration, as a long-term measure, revision of the rate structure to bring assessment more closely to the ability of the tax-payer to pay this tax. For the coming year, the Act will be extended to bring under assessment agricultural income in so far as rubber, tea and coffee cultivation is concerned ; but as a measure of encouraging new plantations, Government will make arrangements for giving exemption from taxation of

profits arising out of such extension of cultivation over suitable periods. Stricter tax enforcement to minimize evasions will also be made but the rates will remain the same.

Customs duties.—Rates applicable to certain commodities will be revised as circumstances may require, but the greatest care will be exercised that price increases of essential commodities do not occur on that account.

Excise duties.—Excise duty on cigarettes will be brought down from K 50 to K 20 per thousand cigarettes but the customs duty on imported unmanufactured tobacco will be doubled.

Business Premises Tax.—Business Premises Tax will be revived and its application will not be restricted to commercial premises but extended to premises where lucrative professions are now carried on.

Betting-tax.—Will be upped from the existing 17½ per cent to 20 per cent.

Miscellaneous taxes.—Government has under consideration revision of rates and fees which it has power under the authority given by the Legislature to alter. Such revision will relate to fees levied for issue of import licences, stay permits, passports, visas, registration of foreigners, motor vehicles and other conveyances on the basis of benefits derived from their possession and present day costs.

In the consideration of all these increases and changes, Government will not lose sight of the principle of levy of taxes according to ability to pay. The people will not be asked to face new hardships on that account and care will be taken to see that the new measures proposed do not affect social welfare adversely.

ESTIMATES OF EXPENDITURE

Current Expenditure

Estimates of expenditure for the year, original and revised, are about equal. There are also no large variations under the various heads as require special comments. A saving of K 48 lakhs is

expected under General Administration in consequence of strict control of establishments and a possible saving of K 20 lakhs under Marine will be much for the same reason. Having to reciprocate representation of new countries in Burma would involve an excess expenditure of about K 25 lakhs, and the expected increase of over K 1 ½ crores for Education is inevitable for expansion of free education facilities. Expenditure under Health would go up on account of unremitting fight against major scourges, but Agricultural Department is expected to show a saving of K 60 lakhs for inability to expand as planned and lag in payment of compensation of nationalised land. But agricultural production would nevertheless show improvement as much of production promotion work was performed by the Agricultural and Rural Development Corporation. Pension payments increased as arrear payments were made to those who come under the new Pension Rules.

Total current expenditure estimated for 1956-57 is K 87 crores 69 lakhs which exceeds revised expenditure for current year by K 10 crores 77 lakhs. Such an increase is inevitable and is necessary under existing circumstances. Expenditures allocated for small departments may rise or fall by slender margins but suppression of insurgency on a more extensive and intensified scale, and continuance and expansion of social welfare schemes on achievements already made, involve increased expenditures. Departments and Agencies that have to do with production will naturally cost more to operate in proportion to increase in production. For these reasons, during the coming year General Administration is expected to cost K 58 lakhs, Police K 1 crore 97 lakhs, Marine K 24 lakhs and Defence Services K 80 lakhs more than the current year. K 2 crores 87 lakhs more for Education, K 19 lakhs more for Medical, K 28 lakhs more for Health have been allocated in the social welfare sector whilst in the production activities Forests have been given K 10 lakhs, Irrigation K 13 lakhs, Agriculture K 1 crore 17 lakhs and Co-operative K 9 lakhs more for their operations.

Revenue Receipts and Current Expenditure

The deficit for the current year is expected to increase to K 3 crores 97 lakhs from the original K 2 crores 19 lakhs. For the year 1956-57, however despite an expected increase of K 11 crores in current expenditure, the larger increase in revenue income may give a surplus of K 1 crore 38 lakhs.

Capital Receipts

Capital receipts as for the current year, on revision, showed certain wide variations. Though income from dividends of joint ventures would be about doubled, receipts from Japanese reparations are expected to drop to K 4 crores from K 13 crores due to procedural shortcomings on our part. But an expected increase of over K 15 crores under debt transactions will more than make up for the shortfall.

As regards expectations for the coming year, we hope to be able to procure K 17 crores worth of reparations equipment and services with the removal of the procedural defects which obstructed us this year. With K 10 crores, contribution from Government commercial enterprises, dividends from joint ventures, revenue surplus, internal and external loans, balances of various Funds and deposit transactions, the total of capital receipts is expected in the region of K 36 crores 70 lakhs.

Capital Formation

Though capital formation planned for the whole Government complex during the current year was K 55 crores, the delays and difficulties attendant upon procurement of capital equipment from reparations and open account countries coupled with other factors that make implementation usually lag behind planning, would result in the actual formation of about K 50 crores 52 lakhs only. As Government disbursements from capital receipts would be only K 22 crores 8 lakhs, the balance will have to be found by borrowing from the public and the banking system.

For the K 55 crores programme planned tentatively for the coming year, Government will be able to disburse up to K 36 crores 70 lakhs expected by way of capital receipts. The balance will have to be found from the funds set aside by the various Agencies for depreciation and reserve and by floating public loans.

Currency Stability

Currency in circulation during the last 3 years has steadily increased in volume due to heavy capital formation in the public sector, but the increases in home production and imports of consumer goods have not been able to keep up with the rise in money supply and prices of commodities have risen in consequence. Though

scarcity of consumer goods and price rises would not have reached the proportions we experienced through the play of economic forces alone, the situation was aggravated by the speculative activity of hoarding and cornering of commodities and by the depredations of insurgents making transport and distribution difficult. For the future, however, as Government will be confining its expenditure to its receipts and taking resolute action for the suppression of economic political insurgency, internal production and imports of consumer goods are bound to increase ; and there is no room for doubt whatsoever that the public will be afforded the much-needed relief in their daily living conditions.

ESTIMATES OF WAYS AND MEANS

The closing balance for the current year is estimated at K 5 crores 4 lakhs and at K 9 crores 85 lakhs for the coming year. There will be not much of a variation between the original and revised estimates for the current year.

RELATIONS WITH INTERNATIONAL FINANCIAL BODIES

Relations between Burma and the International Monetary Fund and the World Bank of which Burma is a member have been good. At the beginning, the study of our economic conditions and discussions over the merits and priorities of our development projects of course took time but now that complete understanding has been reached, we have been able to purchase our full quota of 15 million dollars from the International Monetary Fund and borrow over 19 million dollars for Rangoon Port and Railway development.

A Bill will be introduced during the present session of Parliament to empower the Union of Burma to join the International Finance Corporation which has been set up to complement the activities of World Bank in rendering assistance for development. Assistance to be derived from that Body will, it is hoped, stimulate flow of private capital into Burma.

Mr. Speaker, I have just outlined the salient points of Government policy and the main trends of our activities which underlie the Estimates I am submitting to Parliament. I would urge that

facts, figures and explanations given in the Estimates, the Economic Survey and the relevant Bills, be used to supplement and amplify all that I have been able to say in this short address. Moreover, during the discussion of financial policy underlying the Budget and in the consideration of demands for grants, my colleagues and I will give full explanations in justification of the measures we have advocated to the satisfaction of the Hon'ble Members.

Ever since the out-break of the second world war and up to the present, the people of this country have been subjected to ordeals, dangers and difficulties in one form or another and they now look upon the present Parliament to deliver them from their present afflictions. Though there may be differences among the Honourable Members who have been elected to this House stemming from political ideologies, I believe that they are all well-intentioned and as zealous as we are for the restoration of law and order, development of the country's economy and promotion of social welfare. It is incumbent on us therefore to strive for the attainment of the objectives with only the welfare of the people in view.

Mr. Speaker, before I conclude, I would like to make a special request to the people of the country through the courtesy of this House. It is but natural, in all things, that the paths by which we hope to reach our targets should be beset with diverse difficulties and dangers and barred by numerous obstacles.

Mr. Speaker, the people of this country and we along with them are most anxious to attain our cherished goals of Peace and Stability, Social Welfare and Economic Well-being. It is necessary for us to possess the requisite qualities and to perform the requisite tasks before we can attain our objectives. It is only when we do possess these qualities and assiduously perform these tasks that these objectives will be attained. The requisite qualities, Mr. Speaker, are perseverance, courage, industry, venturesomeness, sacrifice and thrift. In the sphere of our endeavours we must not shirk our duties and responsibilities and must also be amenable to discipline. If we were wanting in these qualities and withal lack the requisite industry and perseverance, then it will be very difficult to attain our objectives within the time anticipated.

Moreover, the degeneration of character and morals that will creep in, even though we may have attained our objectives after taking a longer time than anticipated, makes me most anxious for the future of the people of this country and of the young generation who will have to take a leading role in the conduct of the affairs of the country.

In this age when false values are put on many things, we see such things as disregard and breaches of the law and regulations, acts of indiscipline, lack of industry in worthwhile tasks and perseverance in destructive acts elevated into virtues and those who observe rules and regulations and become amenable to discipline decried as incompetents and dullards.

Mr. Speaker, for so long as we persist in these destructive and anti-social activities, our endeavours at nation building and improvement of standards of living of the people will be of no avail. If we have sincere love of our country and the people and if we sincerely desire social welfare and improvement of living standards, we must have insurgency, which is the root cause of all destructive and anti-social activities, halted in its tracks, and the Hon'ble Ministers and the mass of the people must work hard together in all nation building activities.

Mr. Speaker, we will be but day-dreaming if we are desirous of attaining our objectives and at the same time do not strive to possess the qualities and endeavour to perform the tasks that will take us to those objectives. If we really are in earnest about the acquisition of Peace, Social Welfare and Economic Well-being, then, Mr. Speaker, we must really persevere, show real courage and industry, be really venturesome, make real sacrifices, practise real thrift and be really amenable to discipline. I would therefore most strongly urge all to act accordingly.

BO KHIN MAUNG GALE,

Minister for Finance and Revenue.

RANGOON :

Dated the 31st August 1956.

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